

Test Review

q. 1-11 p 482 & 483

q. 2, 4-8 p 486 & 487

Test Tuesday

May 25-8:22 AM

Financial Review Day 2

2. a) Use a TVM Solver or an on-line calculator to determine the monthly payment for each mortgage given a 7-year fixed term.
- i) \$100 000 amortized over 15 years at an annual interest rate of 4.89%.
 - ii) \$250 000 amortized over 25 years at an annual interest rate of 5.75%.
 - iii) \$400 000 amortized over 35 years at an annual interest rate of 3.75%.

May 29-7:33 AM

- b) Calculate the total amount paid over the 7-year term for each mortgage.
- c) Calculate the total principal paid over the 7-year term for each mortgage.
- d) Calculate the total interest paid over the 7-year term for each mortgage.
- e) Assume that property values increase by 3.50% per year. Determine the value of each home at the end of the 7-year term. Round your answers to the nearest thousand dollars.

May 29-7:33 AM

4. Winnie and Carl purchased their first home for \$225 000. They made a 5% down payment and mortgaged the rest. They agreed to a 7-year fixed term mortgage amortized over 15 years at 6.25% annual interest.

- a) Calculate the down payment.
- b) Calculate the amount of the mortgage.
- c) Use a TVM Solver to determine the amount of their monthly payment.
- d) Determine the amount still owing after 7 years.

May 29-7:34 AM

5. Sanjiv makes accelerated weekly mortgage payments every Friday in the amount of \$523.76.
- a) Determine the monthly amount he pays in a month with four Fridays and five Fridays.
 - b) How will your answer to part a) affect Sanjiv's financial planning?

May 29-7:34 AM

6. Robert saves \$80 from his paycheck every week.
- a) Determine the total amount he saves in
 - i) a month with 4 weeks
 - ii) 2 years
 - b) Determine the future value of Robert's savings in 2 years if his money is in an account that pays 3.5% per year, compounded weekly.

May 29-7:34 AM

7. Lucy earns approximately \$600 every 2 weeks. She wishes to buy a \$7500 car as soon as possible. Lucy lives at home and gives her mother \$70 per week to help with expenses. Design a savings plan for Lucy so that she can buy the car within 1 year.

$$\frac{7500}{26} = 288.46$$

saving 50% (\$300)

May 29-7:34 AM

8. Amber earned approximately \$31 000 last year. Her net pay is about 80% of her gross pay. One-bedroom apartments in her town cost approximately \$750 per month. Two-bedroom apartments cost approximately \$900 per month.

- a) Calculate Amber's approximate weekly net income.
b) Should Amber rent a one-bedroom apartment or share a two-bedroom apartment with a roommate? Explain.

$$\text{TFSA} = 5500$$

$$\text{RRSPs} = 2500$$

$$20\%$$

RRSPs

-40%

-tax refunds

GICs / Bonds
1 or 2 year contract

May 29-7:35 AM

9. Nuala and Jorge are thinking of buying a house in 4 years. They currently rent a three-bedroom house with another couple. They pay half of the \$1600 monthly rent. A two-bedroom bungalow on their street is for sale with an asking price of \$150 800 and has annual property taxes of approximately \$3200.

- a) As first-time homebuyers, Nuala and Jorge would need a 5% down payment. Calculate this amount.

- b) How much would they need to save each month to have the down payment saved in 4 years?

May 29-7:35 AM

May 29-7:35 AM

- c) Use a TVM Solver to determine the monthly mortgage payment for this house less the down payment assuming an interest rate of 5.75% per year, amortized over 20 years.
d) Calculate the monthly payment to the bank for the mortgage plus the monthly portion of the property taxes.

- e) Calculate the average monthly utility expenses given the following information: electricity averages \$150 every two months, natural gas averages \$140 per month, and water averages \$240 every four months.
f) If Nuala and Jorge did not spend more than 30% of their net income on housing expenses, what would their combined minimum monthly net income need to be in order to afford to live in this house?

May 29-7:36 AM

May 29-7:36 AM